

Comments on EWA draft  
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I have only tried to hit the high points. The document is still very rough. I am very concerned that it is not ready for wide distribution without a lot of additional editing. Also, doesn't seem to give much in the way of ranges. Finally, people who are not already up to speed on this will have a very difficult time understanding what we are talking about. See what Lester says, but I think we need one more round. If you wish, I could spend Monday working up a new draft of the document.

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Under "Unique advantages", should discuss utility of EWA in reducing conflict between water users and the environment by creating a common interest in flexible, efficient operations and by sharing the benefits of future improvements to the system.

I thought the language on "how assets are developed" was confusing. Try this:

#### **How are assets developed and grown over time?**

The key to the EWA is the ability to control water. With water, the EWA can make arrangements with water projects for changed operations, using its water to assure that the changed operations do not harm the water users. The EWA may control water in a number of ways. The EWA may: (1) have rights to use capacity within the state and federal projects (and perhaps other projects; (2) have rights to hold water in storage facilities; (3) generate water by flexing export standards; (4) purchase water on the market; (4) generate water by paying for water efficiency programs. Thus, the EWA will be able to generate water, move water, and store water.

The ability of the EWA to control water may be increased over time through access to new diversion, storage and conveyance facilities, new water purchases, increases in efficiency programs funded by the EWA, etc.

At the same time, water user assets would increase from expanded access to diversion facilities, water purchase options and transfers, conservation/reclamation programs, increased surface and groundwater storage, and water in exchange for mortality reductions.

Under "management of the EWA".

Paragraph 1. Gallon for gallon and contracts have not been used in the past, really.

We might say that “Two approaches to managing the EWA have been discussed thus far.”

Paragraph 2. The volume of water would also depend upon the amount of water already held on storage and upon opportunities for getting more water within the E/I standard.

Paragraph 3. A bit confusing. The key point is that we are not accounting for each extra gallon of water diverted, but are estimating these amounts roughly through modelling. Thus, we give the projects the ability to divert more water than they can now (through auto flex of E/I, JPOD, SDI, storage, etc.), assess how much water they will divert using our models, then give the EWA a contract for some share of that new water. The Projects thereafter become a black box, able to manage their system as they see fit, provided that they provide the EWA with its contract entitlement at the times and places specified. Presumably, the EWA would still be able to supplement through purchases and other actions.

This section needs discussion about the use of collateral. Whether we use gallon for gallon or contracts, the key point is that the existence of these “rights” allows the EWA to seek changes in project operations on a “no harm” basis. Moreover, Mother Nature will frequently allow us to make up for changed operations without the need for the EWA to expend its assets. This increases the leverage created by the new EWA assets.

Page 4-5. Debt carryover. Actually, we had a problem twice with the San Luis carryover during our simulation. This language is based upon something I wrote up after we had heard from Schuster but before our simulation. It is not accurate, at least given the amount of enviro benefits we are trying to generate. Better not to say that San Luis is a problem. but to talk more generally about the basic principle of “no harm”. Thus, we may carry over debt, only if we can do so without without harm to water users. This will generally be dependant upon the users having surplus water in storage, allowing slower payback. Thus, we might shift holes into Oroville or Shasta, or carry them in San Luis, or even in other districts. However, we cannot create new risks or harm. This means that all our debts must have collateral. The only question, then becomes how soon we must pay off our debts to eliminate harm. This will have a major influence on the amount and type of assets placed into the EWA.

Page 7. The debt carryover discussion is out dated in this section. We are not talking about voluntary arrangements anymore, but using debt carryover as part of the basic operating procedures. Maybe this is where the big discussion of debt carryover discussed above should go.

Environmental priorities. The priorities are too complex to be thrown out there like this. We simply need to say that environmental access to facilities is a major issue to be worked out over the next year.

Page 8. Initial evaluation of EWA. What is this second group that evaluated the EWA? Schuster? I think that the work of the Quinn/Spear group is the most credible. Be sure you get the baseline run correct for the game we did. It did not have Banks in the baseline (thus hurting the users), and had 200 kaf of storage. It was not the correct baseline, but was the closest to what we wanted that we could find.

Page 10. Not clear what the Quinn/Spear scenario is. If it is what was used for the game, need to include the 200 kaf of storage in the baseline, plus the toilets. If it is the latest iteration, then Banks description is wrong -- banks is used to provide water supply for the users. EWA only gets access to Banks if capacity exists (under E/I) or by relaxing E/I). That is need to explain that we did not use our 3rd iteration as the baseline because the correct model run was not available.

p 12 Where did this ag-urban scenario come from? Why is it being given prominence in a CALFED document?

The graphics are on the right track, but need explanation. Plus, make clear that EWA balanced represent net balance (i.e., the combinatoin of assets and debts).